

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON EDUCATION

Call to Order: By **CHAIRMAN DONALD HEDGES**, on January 8, 2003 at 8:07 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Donald L. Hedges, Chairman (R)
Sen. Royal Johnson, Vice Chairman (R)
Rep. Rosalie (Rosie) Buzzas (D)
Sen. John Esp (R)
Rep. Eve Franklin (D)
Rep. Dave Lewis (R)
Sen. Bea McCarthy (D)

Members Excused: None.

Members Absent: None.

Staff Present: Mark Bruno, OBPP
Diana Williams, Committee Secretary
Lynn Zanto, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Tape counter notations refer to the material immediately preceding.

Committee Business Summary:

Hearing(s) & Date(s) Posted: Montana Arts Council

Executive Action: None

HEARING ON THE MONTANA ARTS COUNCIL (MAC)

CHAIRMAN HEDGES welcomed all and stated the procedures for the hearing. He asked that **Lynn Zanto, Legislative Fiscal Division**, explain the bridge document that summarizes the effect of rolling back to the Fiscal 2000 Base for the Montana Arts Council (MAC). This document only addresses the General Fund.

EXHIBIT(jeh03a01)

{Tape: 1; Side: A; Approx. Time Counter: 0.1 - 6.8}

REP. LEWIS asked for verification that if the Committee doesn't vote on anything, the agency would have \$280,604 per year in General Funds. And then the agency would have to determine where the reductions of \$76,000 and \$71,000 would occur in the governor's base budget. **CHAIRMAN HEDGES** said, "That is correct."

REP. LEWIS said, "But if you adopt the cuts that the Governor already made in the Decision Packages you will still have to come up with the specific cut of \$19,000 the first year and \$20,000 the second year or the agency can say how to implement the further reduction." **CHAIRMAN HEDGES** said, "That is correct."

Mark Bruno, OBBP, wanted the Committee to know that a couple of the Decision Packages use more than just General Funds and the Committee would probably have to act upon those types of funding also.

{Tape: 1; Side: A; Approx. Time Counter: 6.9 - 8.4}

Overview of Agency:

[With Arlynn Fishbaugh's presentation, there is public testimony interspersed throughout her presentation. Her entire testimony consists of Exhibit 2, 3, 4, 7, 17, 20, 21 and 22.]

Arlynn Fishbaugh, Executive Director of the Montana Arts Council, started by explaining the Arts Council budget in perspective to other State agencies' budgets. Then she went over the special honors that this agency received, and how the Arts Council is governed as well as stating the members who are on the Council. The staff was introduced. She asked if Cinda Holt could address the Committee on the National Endowment for the Arts (NEA) review of the grant that was submitted for funding.

EXHIBIT(jeh03a02)

{Tape: 1; Side: A; Approx. Time Counter: 8.5 - 17.2}

Cinda Holt, Communications Director for the Council, attended the session for the Montana projects that were getting reviewed. It was learned that the MAC's structure received high rankings due to the executive director's leadership ability as well as her ability to design duties and job structures for the staff's strength as opposed to setting an administrative hierarchy.

The other reason for the high marks was the staff's "can do" attitude. The review committee said that with the limited resources that are available the amount of services provided by the eight people on MAC's staff were remarkable. And the review committee wanted to note for the record that they felt that if the resources were available, the sky would be the limit for this staff.

{Tape: 1; Side: A; Approx. Time Counter: 17.2 - 19.5}

Ms. Fishbaugh went over the granting program and the services that this agency provides to the public and is Page 4 of her written testimony.

EXHIBIT(jeh03a03)

{Tape: 1; Side: A; Approx. Time Counter: 19.5 - 23.2}

The overview then focused on how the public benefits from the Arts Council. Three people were asked to testify on the economic impact of having the arts available.

EXHIBIT(jeh03a04)

{Tape: 1; Side: A; Approx. Time Counter: 23.2 - 24}

Toni Broadbent, Montana business owner of 24 years, member of Montana Ambassadors, went over who comprises the Ambassadors as well as how they help promote the arts. She said that through the partnership and the collaboration with the MAC, the Ambassadors help create economic vitality for many rural communities in Montana.

Ms. Broadbent said that the arts industry in Montana is a \$24 million annual direct income stream to the State and creates over 2,300 full time jobs. It is a viable industry and the kind of industry that will help Montana to grow. She said, "It's clean, safe, creative, and limitless." She believes that the arts make her business distinctive and illustrates to her customers, a

company that is creative. She supplied the Committee a picture of "Pandua's Garden" which is an architectural sculpture that is in her business's lobby and is Exhibit 5.

Ms. Broadbent said that Montana is on the verge of change and the need is there to redirect the focus and the money to create opportunity and invest where it can really make a difference. She said, "Do not cut the Arts Council Budget." She felt that arts in Montana allows prosperity, investment and growth in Montana and is a solution to the economic growth in the State.

EXHIBIT (jeh03a05)

{Tape: 1; Side: A; Approx. Time Counter: 24 - 27.5}

Linda Reed, Executive Director of Montana Community Foundation, said that the arts was the primary reason why she moved to Helena, not to become an artist, rather it was the depth of the arts and the cultural community in Helena that appealed to her. She said for a person who is looking at relocating, the quality of life in that town is an important factor. She referenced a study that was done to back this up. As far as a business relocating she said that a survey was done and the quality of life was number three out of nineteen.

Ms. Reed said that Montana's fundamental problem is that there isn't enough wage earners that are earning enough money to finance services of government. She felt that until there are higher wages earned in Montana, either through increasing the current wage or bringing in higher paying jobs, the issues that are being faced in this session will continue in the following sessions. She said that the work that needs to be done this session is very serious and very hard and applauded the Committee for taking on that challenge.

Ms. Reed said that the Arts Council provides an economic stimulus to this State. It is an attraction for people who want to come and live here. It is a way of teaching our children how to have the skills that businesses want.

{Tape: 1; Side: A; Approx. Time Counter: 27.5 - 31.1}

The third person testifying on the economic development was **Cindy Kittredge, Director of Cascade County Historical Society and Cattle and Sheep Rancher.** She said that through the involvement in the arts her family has additional income, by selling jewelry that her husband makes. She also said that she is involved in a project that the Montana Arts Council has helped in which will bring economic rebirth to rural communities in Central Montana.

The project consists of creating loop trails that will provide a "real" Montana experience. It could be considered "cultural tourism" work.

EXHIBIT(jeh03a06)

Ms. Fishbaugh said that about one-third of the grants and services are tied to organizations that provide strong resources in cultural tourism. Her testimony then focused on the value in MAC'S Artists in Schools Program and Arts Education.

EXHIBIT(jeh03a07)

Linda Noble, Kindergarten Teacher for the Helena Public Schools, said that the Artists in the Schools program has made her a better teacher.

EXHIBIT(jeh03a08)

{Tape: 1; Side: B; Approx. Time Counter: 0 - 14.9}

Keegan Nashan, 4th grader from Mrs. Krone's class, showed the Committee three pictures, which were handed out by one of her friends. She said that the pictures are of a mural that was painted by K-5 graders and took two weeks. Grayce, the artist that helped with the project would allow them to be creative and she liked that idea. The first photo shows the entire mural. It is part of the school. The other two photos show her favorite parts. The second photo is of a girl standing by the woodpecker and #3 is of Kelsey standing by the "Yellowstone River." She asked that this program stay. It helps kids, even if they don't like art they liked this project. This mural will be left for other kids to enjoy and she was proud of that.

EXHIBIT(jeh03a09)

{Tape: 1; Side: B; Approx. Time Counter: 14.9 - 18.8}

Melanie Nashan, Keegan's Mother, explained the value of the arts program and talked about the artist in residence program. She said that the children called this mural "On the Banks of the Yellowstone," and explained the kids' involvement as well as how the artist helped them learn various techniques that an artist uses. She said that the public teachers either don't know how to do the techniques or don't have the time to teach since our government has insisted on focusing on reading, writing and arithmetic. She quoted Albert Einstein and asked that the program is funded. **Ms. Nashan** handed out copies of four newspaper articles which are about these grants that were awarded to Winans

Elementary School in Livingston. One article focused on the two artists that helped supplement art education by teaching mime and drawing. The other article explained the mural.

EXHIBIT(jeh03a10)

EXHIBIT(jeh03a11)

In addition to the articles, **Keegan's mom** handed out copies of thank you letters from some of the kids who worked with Tandy, who was selected to come to the school for a week, to teach drawing fundamentals.

EXHIBIT(jeh03a12)

{Tape: 1; Side: B; Approx. Time Counter: 18.8 - 24.9}

Since Marilyn Delger is an administrator, SEN. FRANKLIN asked permission for her to talk about the Arts program that is at the Hawthorne School in Bozeman.

Marilyn Delger, Principal at Hawthorne School in Bozeman, said that the Montana Arts Council has been instrumental in the arts program at this school. With the help of a grant, a model school for the arts was developed in 1991. It was developed to prove the importance of integration of fine arts in education. It has had wide support and national recognition. In 1999 a long-range assessment of the project was done Montana State University. It was found that at the middle school level [Hawthorne is K-5], these kids excel in class leadership, problem solving, and provide quality work.

Ms. Delger said that Hawthorne school has also been labeled a high performing school. She gave the Committee a copy of the most recent test scores from the standardize tests that some classes took. And she referenced a brochure of the Hawthorne School program. In the packet were also postcards and cards that were a product of this program.

EXHIBIT(jeh03a13)

EXHIBIT(jeh03a14)

EXHIBIT(jeh03a15)

EXHIBIT(jeh03a16)

{Tape: 1; Side: B; Approx. Time Counter: 24.9 - 30}

Ms. Fishbaugh's presentation focused on the rural community grants that are provided by the MAC. She asked two members to come forward and talk about the benefits that the public enjoy.

EXHIBIT(jeh03a17)

{Tape: 2; Side: A; Approx. Time Counter: 0 - 0.6}

Jim Caron, Founder and Executive Director of Missoula's Children's Theatre (MCT), said that the heart of this project is the touring program. He explained how the program works. He said that the first mission statement was to allow rural Montana communities the exposure to the arts which they would not have otherwise, with an emphasis on the performing arts. Through time this mission became the development of life skills for kids through a participatory experience in the performing arts. He also supplied the list of the performing towns as well as the performing organization that will put on the presentation and is Exhibit 18.

The success to this company is two-fold; the business practices that are used as well as the current mission allows the Theatre to stay in business. **Mr. Caron** said that none of this would have happened without the Montana Arts Council. They helped him through the "ropes." He said that this is an organization that through companies like MCT provides the next step in the ladder of life for professional player. And he urged that the Committee fund MAC fully.

EXHIBIT(jeh03a18)

{Tape: 2; Side: A; Approx. Time Counter: 0.6 - 6.2}

Judy Berg, Chairman for the Meagher County Arts Council, talked about two programs that impact the rural communities. One was Shakespeare In The Parks touring program and the other was the Great Falls Symphony funding support. She believed, like other people who live in Meagher County, that these programs are "vital" and "essential." She also felt it was the responsibility of the State to provide for the betterment of the citizens of the State and these programs do just that. She requested that these programs are funded.

EXHIBIT(jeh03a19)

{Tape: 2; Side: A; Approx. Time Counter: 6.2 - 14.5}

Ms. Fishbaugh then discussed the budget for the Montana Arts Council. She explained the history of the cuts that occurred in the Special Session (13 percent) as well as the proposed cuts for this biennium (21 percent). Small agency cuts are larger than a

large agency. It may be a high percent but the dollars are particularly low compared to the rest of State government.

A sheet was handed out that summarizes the answers to the LFD issues and the requests that MAC has and is Exhibit 20.

Ms. Fishbaugh went into detail over the LFD comments that are in the Legislative Budget Analysis 2005 Biennium that relate to 1) funding increases; 2) increased reliance on general fund; 3) updating a balance on an account; 4) potential sources of revenue for the Arts Council. With the first three issues she had specific requests she went over and with the fourth she explained why the suggested sources would not be a good solution at this time for the Arts Council.

EXHIBIT(jeh03a20)

EXHIBIT(jeh03a21)

Ms. Fishbaugh's next topic was the Decision Packages. She requested what the agency would like funded in DP 7000, DP 7002, and DP 7003. She also addressed the \$40,000 cut that was requested by the Joint Finance Committee.

{Tape: 2; Side: A; Approx. Time Counter: 14.5 - 31.6}

{Tape: 2; Side: B; Approx. Time Counter: 0 - 4.8}

The presentation concluded by answering some questions that she felt legislators may ask -- how can the arts be funded as well as funding education and human services agencies. She summarized what the Arts council would like funded as well as the cost associated with keeping these programs alive, which is \$156,000 for the biennium.

EXHIBIT(jeh03a22)

{Tape: 2; Side: B; Approx. Time Counter: 4.8 - 8.2}

CHAIRMAN HEDGES requested that Mark Bruno readdress the Governor's budget.

Mr. Bruno, said that the Arts Council was correct in their assessment of the budget reductions. Even though the same formula was used where the average of the Fiscal 2002 Budget plus the Fiscal 2003 Budget after the Special Session was taken and then all of the Governor's reductions that were possible were applied, it was high. He said that this agency was pretty much treated like all the other agencies. He also reiterated that if some of the decision packages that have State special funds and federal funds attached are ignored then this Subcommittee will have to come back and revisit those.

{Tape: 2; Side: B; Approx. Time Counter: 8.2 - 9.7}

Questions from Committee Members and Responses:

SEN. McCARTHY asked various questions dealing with the building location, size of office and rent. **Ms. Fishbaugh** said that the Arts Council is at the Old Post Office. **Carleen Layne, Accountant for the Montana Arts Council**, said that the space rented is 1,876 square feet and is on the second floor. It is an open spaced area that has dividers for four private offices. She said that this agency has been there since 1992. She believed that the rent is \$20,000 this year and there is a three percent annual increase.

SEN. McCARTHY asked a couple of questions that dealt with the NEA and the Director. To clarify this, the Chairman of the National Endowment for the Humanities is Bruce Cole, with Jamie Doggett as the Chairman to the Federation of State Humanities Councils.

{Tape: 2; Side: B; Approx. Time Counter: 9.7 - 13.2}

REP. BUZZAS's questions dealt with MAC's website.

Beck McLaughlin, Education and Web Services Director, said that the statics we get are from ISTD and the web trends and they don't tack the number of "hits" that deal with cultural tourism. She said that the site received 222 hits a day in the last report that we got from the web trends. **Ms. Fishbaugh** then explained to the Committee that a link to the calendar at "Lively Times" is available at the MAC's website and have been working with the Department of Commerce to link up to this too. She said that it is the best calendar in the State. It links everything from roller derbies, to truck pulls to arts events. And so that has been a really good thing.

REP. BUZZAS wanted to know what kinds of information have high volume of "hits." **Ms. McLaughlin** said that there are a lot of visits to the Artists in Schools and Communities Grants information. She said the Strategic Plan web pages and the Featured Artist web pages are visited often and the artists who receive art scholarships are updated every two months. She said that there are a lot of hits on the Resource Page that provides information about other organizations that provide services to artists and arts organizations.

{Tape: 2; Side: B; Approx. Time Counter: 13.2 - 16.5}

CHAIRMAN HEDGES asked Ms. Fishbaugh a question on the Tobacco Cessation and Prevention Program. He said, "Would it be within

the charter of the arts council to develop communication programs with our K-3 type children that said 'when you're smoking your lungs are choking' type programs." **Ms. Fishbaugh** thought that there might already be some of those types of programs in place that could become part of the schools' education. She said that if there is tobacco money available, the Arts Council would be happy to help get this launched. It is a great idea.

{Tape: 2; Side: B; Approx. Time Counter: 16.5 - 18.5}

SEN. JOHNSON asked numerous questions about the Cultural Trust that were directed to **Ms. Layne**.

Through this question and answer period it was learned that the Cultural Trust's principal was \$8 million and was reduced to \$4 million once the purchase of Virginia and Nevada City occurred. In the agreement that allowed the transfer to occur, there was a clause that would allow the \$4 million revenue's interest that was lost for the Arts Council to be made up with some other source. With the \$4 million that is still in the trust it generated \$632,000 in interest. Currently in HB 9 there is a request for half of million dollars of General Funds to be provided to the Arts Council. During the last Session the \$600,000 was reduced to \$524,000 and an additional \$25,0000 taken out during the Special Session. **Ms. Layne** further explained the switching mechanisms that occurred. **SEN. JOHNSON** said that he would like to see those figures sometime and maybe Mr. Bruno has them.

SEN. JOHNSON then asked questions about having the Arts Council become a 501(c)3 foundation. **Ms. Fishbaugh** told the Subcommittee that they investigated this idea in 1997. She said that the arts community was against this idea. Since Montana has finite dollars available for these foundations, the arts community didn't want to have to compete for them. **Ms. Fishbaugh** also noted the difficulty in raising funds through a statewide campaign, and gave the example of the recent, Historic Preservation Campaign, which didn't raise the anticipated revenue.

SEN. JOHNSON asked Ms. Reed that with the success of the Montana Community Foundation which has a 501(c)3 status, why would the Montana Arts Council not want to have this type of status. **Ms. Reed** believed that the public generally isn't inclined to donate to foundations which are really supporting public activities (State activities). She also agreed that in terms of raising money, the Arts Council would have a difficult time and may alienate themselves from the public that they are trying to serve. She also said that she felt that the Montana Community Foundation would have a greater success raising the endowment

fund to support the arts in general as opposed to finding monies directly for MAC.

SEN. JOHNSON asked, "Do you have currently in the Montana Community Foundation any funds that are directed to the Montana Arts Council?" **Ms. Reed** said, "No, we do not."

{Tape: 2; Side: B; Approx. Time Counter: 18.5 - 26.6}

REP. BUZZAS asked Jim Caron, from MCT, questions that dealt with foundations and fundraising. **Mr. Caron** said that MCT does have a foundation and explained in greater detail the status of the fundraising programs. As far as private donations to the arts program he said that there is a green book called the Foundation Book. Montana has three and a half pages of the 1,000 pages that list the private foundations in the United States that give money to organizations. The money is tough to get and very limited.

REP. BUZZAS commented that with the testimony we heard about the importance of having matching money from the State to support the programs, and the Arts Council views that even though the match may be a small amount it is important to them to have that State support. She wanted to know if private donors think that way too, about sharing the responsibility for funding programs.

Mr. Caron said, "I think so." He said that MCT is rare in that it operates on about 90 percent earned income, as opposed to operating on a 50/50 split which a lot of arts organizations do. He was proud that the agency can operate like this and thought their success rate was appreciated. He said if MCT were to match the earned income with nonearned income it would be a frustrating experience. He explained the \$6 million capital campaign for the MCT's building that occurred. He ended by saying that in general, MCT is looked upon with confidence, especially with the business community.

{Tape: 2; Side: B; Approx. Time Counter: 26.6 - 30.4}

SEN. McCARTHY asked further questions about donating. **Mr. Caron** said that MCT is a 501(c)3 and the response to **SEN. McCARTHY's** follow up question is that if a donation happened from a large corporation, the money donated would probably go to his organization before it went to the State's Arts Council. He said that with fund-raising campaigns, the specifics are so important.

SEN. McCARTHY said that as MCT tours do communities know that the money has come for the State Council. She also wanted to know if Missoula Children's Theatre (MCT) was getting any returns from the tour. **Mr. Caron** said that the economic reality of the tour

is that it costs MCT about \$2,600 to do the one week presentation, which includes vehicle insurance which went from \$3,800 to \$7,800. The fee that the State provides is \$1,800. He said that money is being lost in every Montana residency that we present a program in. He said that is done because Montana is our home and we wouldn't think of not doing the presentation.

Mr. Caron said that the loss is made up two ways. One is the fact is that the communities are paying \$3,500 with the expenses being about the same and the other is that with the Art's Council economic support it allows MCT to have a good strong support in Montana.

{Tape: 2; Side: B; Approx. Time Counter: 30.4 - 31.1}

{Tape: 3; Side: A; Approx. Time Counter: 0 - 2}

CHAIRMAN HEDGES said that there will be a brief summary from the LFD staff and executive action will be taken on Friday.

Ms. Zanto went over the LFD issues which is the yellow section of Exhibit 1. It is the issues and options for the Committee's consideration to offset the \$78,000 reduction each year. The Legislative Budget Analysis 2005 Biennium, Pages E-55 to E-57 provide greater details.

EXHIBIT(jeh03a23)

{Tape: 3; Side: A; Approx. Time Counter: 2 - 8.8}

REP. LEWIS talked about having the bed tax option as partial funding for this agency. He thought there was a real logical connection between tourism and the arts. If the bed tax funding was an option a Committee bill would have to be written.

REP. BUZZAS thought that there may be a sensible reserve and asked **REP. LEWIS** to refresh her memory. **REP. LEWIS** said that there is a reserve in the Department of Commerce and thought maybe that could be earmarked for the Arts Council and then a statutory change wouldn't be necessary.

REP. BUZZAS said that her preference would be to make this a permanent funding source and wanted to know how much does the bed tax generate in revenue.

REP. LEWIS said that there is a total of \$8 million a year and he thought that \$5 million is used on advertising. Mr. Bruno said that with the Executive Budget, Page C-95 there is a chart that breaks out the bed tax. With what **REP. LEWIS** is talking about it is \$8 million and Commerce get 67 percent of that amount.

EXHIBIT(jeh03a24)

REP. BUZZAS asked Mr. Bruno if it was true that there was a reserve that this money was used from and do you know the size of that reserve. **Mr. Bruno** said that he knows during the Special Session they took \$1.7 million and transferred it to the General Fund. He wasn't sure about the balance, but could look at that.

{Tape: 3; Side: A; Approx. Time Counter: 8.8 - 12}

SEN. ESP asked Ms. Zanto if she could explain where the \$76,480 [unspecified reduction to get to the new base] came from. **Ms. Zanto** said that the amount is based on the amendment that was done by the Joint Senate Finance and House Appropriation Subcommittee where they rolled back the base to the Fiscal 2000 base. She said that \$70,000 is the overall amount that would have to be reduced to get to this new base level.

SEN. ESP said that with the documents he has the 2002 Base is \$339,000. With his computation, he has the value as \$59,000 rather than the \$76,000 that was provided in the bridge document (Exhibit 1). **Ms. Zanto** said that the Base is the starting point. Then within the Executive Budget there are statewide adjustments for other proposals so those numbers that are in the Legislative Budget Analysis 2005 Biennium can't be used to compute the unspecified reduction.

{Tape: 3; Side: A; Approx. Time Counter: 12 - 14.5}

SEN. JOHNSON thought that the Arts Council was passing up a funding source by not having a 501(c)3 status. He thought there were some Foundations who would be willing to give money and couldn't donate it in any other manner than a 501(c)3 corporation. He said that the money could be given to the Montana Community Foundation and then the Community Foundation could give it to the Arts Council; or the individual or agency could donate directly to the Arts Council.

{Tape: 3; Side: A; Approx. Time Counter: 14.5 - 15.6}

SEN. MCCARTHY said that she agreed to what **SEN. JOHNSON** just said but wanted to make a comment about the cost of rent. She said that the Arts Council has been in the facility since 1992 with an annual rent increase. The State budget is known. And maybe this Council needs to look for a different facility, or maybe the Council needs to talk to the City-County government. Even though this money isn't a lot, it might help fund the personnel. And if the wish is to keep the Council in Downtown Helena maybe a discussion could happen on the cost of rent.

{Tape: 3; Side: A; Approx. Time Counter: 15.6 - 16.5}

REP. BUZZAS commented about Foundations and the giving capacity for Montana. She works for a non-profit foundation that is reliant on grants both private and public. She said that even with the 501(c)3 status the business is at an all time low for getting any gifting. She said that it is very difficult to obtain the kind of money that was gifted in the past.

REP. BUZZAS said that in times of good the 501(c)3 status provides a good source of funding but there is a capacity problem in Montana. There aren't that many large donors. She said that due to the economic times, even the regional areas are struggling. To think that this is a way to find the funding, it just isn't the case. She doesn't think the private dollars are there yet to fund this agency.

CHAIRMAN HEDGES commented to the Arts Council that they had an excellent presentation and thanked them. He said that the LFD staff will have to prepare the committee bills as was discussed in this hearing.

{Tape: 3; Side: A; Approx. Time Counter: 16.5 - 19.3}

ADJOURNMENT

Adjournment: 10:20 A.M.

REP. DONALD L. HEDGES, Chairman

DIANA WILLIAMS, Secretary

DH/DW

EXHIBIT(jeh03aad)